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MEXICO LOW EMISSIONS DEVELOPMENT PROGRAM

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PROGRAM OVERVIEW

The México Low Emissions Development Program (MLED) is a three-year project with a two-year option period funded by the México Mission of the U.S. Agency for International Development (USAID). The MLED Program is intended to address México's contribution to global climate change (GCC) and global greenhouse gas (GHG) emissions by assisting its Federal and State Governments, businesses, and other stakeholders in establishing the key enabling conditions and tools needed to participate in emerging international GHG management frameworks and meet obligations under the Copenhagen Accord.

The four main tasks carried out under the MLED Program are:

Task 1: Support the development and implementation of a national Low Emissions Development Strategy (LEDS) and subnational climate change action plans.
The MLED Program works with a broad range of stakeholders to strengthen in-country human and institutional capacity for low-emissions development planning at the federal and subnational levels. Technical assistance includes adapting analytical tools and practices including emissions inventory development, economic and environmental modeling and analysis, sector-specific analysis, and data collection and management. The MLED Program team is also providing analytical support to identify, evaluate, and prioritize actions and programs that could contribute to low emission development such as market potential analysis, marginal abatement cost curves, and co-benefit assessments. Besides, the MLED Program is supporting the Government of México (GOM) in developing policies and programs which facilitate implementation of sector-specific mitigation actions and working to increase access to financing in support of LEDS implementation.

Task 2: Strengthen México's systems to inventory, register and conduct Monitoring, Reporting, and Verification (MRV) of GHG emissions.
The MLED Program provides assistance to the GOM, at Federal and State level, and the Private Sector to facilitate further development and expansion of its existing GHG inventory and monitoring systems and eventually fuse them into a fully-integrated system for measuring, reporting, and verifying GHG emissions and mitigation from all sectors of the economy at the national, state, and municipal, level using practical and reliable internationally accepted methods and protocols. This system will promote more effective and accurate measurement and reporting of emissions, ensure that México is fulfilling its stated mitigation goals, and instill confidence in México's commitments before the international community.

Task 3: Implementation of Clean Energy Interventions supporting LEDS.
The Clean Energy component of the MLED Program supports the overall goal of reducing, mitigating, and/or sequestering GHG emissions by enhancing the GOM's efforts to increase the use of renewable energy and energy efficient end-use technologies among other approaches.

The MLED Program supports the adoption by appropriate stakeholders (federal/subnational governments, domestic users, private industry, etc.) of strategic, high-impact/low-cost, politically feasible actions with potential for substantial GHG reductions while contributing to economic growth. To that end, the MLED Program team is working to: 1) design and carry out high-potential, clean energy pilot projects and 2) identify previously-tested best practices, which have not yet been widely adopted, and bring them to scale through development of programs and policies.

Task 4: USAID/México Global Climate Change Program Coordination.
The MLED Program is the lead mechanism under USAID/México's Global Climate Change (GCC) Program, implemented by a range of partners through diverse mechanisms. The MLED Program team will document and integrate the results of all these programs, fostering collaboration, information sharing, and close coordination with other USAID/México GCC Program implementers.

SUMMARY OF ACCOMPLISHMENTS

The following is a summary of the program accomplishments under the indicators established in the Performance Management Plan (PMP).

Strengthened policies, plans and regulations for low emissions development. (PMP Indicator 4.8.2-4). Unit: Number of laws, policies, plans, etc. (cumulative)

- **Task 1:**

TECHNICAL ASSISTANCE AND SUPPORT FOR THE DEVELOPMENT OF THE NEWLY APPROVED CLIMATE CHANGE LAW. The MLED Program provided extensive technical support for the integration of several elements of the Climate Change Law throughout its development process.

- **Task 3:**

KEY PROGRESS ACHIEVED FOR THE DESIGN OF CRE'S RENEWABLE ENERGY AUCTIONS PROGRAM. The Task 3 Team provided key technical and strategic assistance to the Energy Regulatory Commission (CRE) for the design of the Renewable Energy (RE) Auctions guidelines program. CRE in turn, prepared and submitted the auction guidelines to the Federal Commission for Regulatory Improvement (Comisión Federal de Mejora Regulatoria, COFEMER in Spanish). The support delivered to CRE included:

- Technical assistance at the federal government level, focusing on the identification of, the specific legal responsibilities, roles, and goals in the development of the RE Auctions program for each of the key federal institutions involved (Energy Ministry, Secretaría de Energía SENER; Electricity Federal Commission, Comisión Federal de Electricidad CFE, and CRE).
- Support for CRE in order to create a broader enabling environment beyond the three key institutions to identify opportunities, barriers, recommendations and mechanisms to expand the participation of other public and private stakeholders such as: Ministry of Treasury (Hacienda), the Ministry of Environment and Natural Resources (SEMARNAT), and developers/investors that have a stake in the process to expand the installed capacity of renewable energy technologies under the RE Auctions scheme.
- Targeted technical assistance to the Federal Electricity Commission (CFE) and the Energy Regulatory Commission (CRE), from a power utility perspective, to develop the general guidelines for the launching process of the RE Auctions.
- Key technical support to CRE through a peer review between the California Public Utility Commission (CPUC), CRE, SENER and CFE for the design of the basis and guidelines for small-scale renewable energy auctions process in Mexico. Best practices and lessons learned from the U.S. regulatory experience on the implementation of a reverse auction mechanism for small-scale renewable energy and reducing barriers to investment in renewable energy were shared. Finally, recommendations on key issues associated with the design and implementation of energy auction instruments and process were reviewed, mainly in the context of the proposed small projects.

Enhanced institutional and technical capacities. (PMP Indicator 4.8.2-14). Unit: Number of institutions (cumulative)

- **Task 1:**

INE'S "TOWARDS THE DEVELOPMENT OF A LEDS IN MÉXICO" WORKSHOP. The Task 1 Team organized a workshop with the National Institute of Ecology (May 8, 2012) to disseminate information about the status of the design and elaboration of México's Low Emission Development Strategy. The workshop was attended by key actors from different sectors such as the private sector, academia, civil society and other cooperation agencies. The main objectives were:

- Disseminate information about the objectives and advances of LEDS in México.
- Involve key stakeholders in the process of analysis and articulation of the LEDS.
- Identify barriers and opportunities for the implementation of the LEDS in México.

Total attendance at this workshop was 70 people (45 men and 25 women) and the aim of the workshop was to obtain inputs on the legal, institutional, economical, technical, social and cultural factors that may hinder the design process and implementation of the Strategy. The presence of representatives from the transportation, energy, forestry, gender equity, transparency, and productive sectors helped to address the multiple dimensions of the issue of low-carbon development in México.

CLIMATE CHANGE ECONOMICS MODELING WORKSHOP. The Task 1 Team organized this workshop with INE to help understand the different models and/or methodologies available for analyzing the economics of climate change, share experiences about the application of different models for purposes of economic analysis related to climate change and discuss on the needs and opportunities for the economics of climate change modeling in México, especially in support of México's preparation of a Low Emissions Development Strategy (LEDS).

Total attendance to this workshop was of 48 people (12 women and 36 men) for the first two days. During the third day, a closed meeting was held between members of the MLED Program team, representatives from INE, USAID, and the speakers invited to the workshop.

The next steps under the INE-MLED work on this task are: 1) an assessment and survey of current modeling capabilities in México on the climate change economics; and 2) identification of key questions to be answered using these models as a vital component to informing model selection and development, focus areas, etc.; and the importance of building modeling capacity in ways that will provide long-term capability and ongoing model development and enhancement.

- **Task 2:**

WORKSHOP ON LESSONS LEARNED AND OPPORTUNITIES TO IMPROVE STATE GHG INVENTORIES. This workshop initiated communications among officials responsible for the preparation of GHG emissions inventories at the state level, in order to learn about the experiences of different states and promote the improvement of this process and the precision of these inventories. The core of the session was to introduce the MLED Program and to present key elements to develop a state-level GHG Inventory. The session was highly participative, making teams of assistants who were in charge of identifying and prioritizing opportunities and barriers of the inventory process

The workshop occurred on the 14th of June, total attendance was of 39 representatives (25 male and 14 female) from 17 states (Aguascalientes, Baja California, Baja California Sur, Campeche, Chiapas, Distrito Federal, Estado de México, Guanajuato, Jalisco, Michoacán, Morelos, Puebla, Oaxaca, Querétaro, Sonora, Tamaulipas and Yucatán.)

The next steps, according to discussions with INE, could include:
- Design and implement a platform for communications and information interchanges among the states, in order to keep everyone updated regarding the states' GHG emissions inventories.
- Develop a Guide to assist state governments' representatives in the preparation of their GHG Inventories, State Climate Change Action Plans, LEDS and MRV Systems.
- Prepare a strategy for training and technical support to implement the Guide.

WORKSHOP ON IDENTIFICATION AND EVALUATION OF GHG MITIGATION ACTIONS AT THE STATE LEVEL. This workshop reviewed potential GHG mitigation actions at state level. Attendees were able to gather experience from the federal government in the presentation of the system to monitor the advances of the Special Program of Climate Change; and the experience of México City's Government in identifying and evaluating GHG mitigation actions included in the México City's Climate Change Action Plans.

Total attendance at this workshop was of 33 representatives from 15 states (Baja California, Baja California Sur, Campeche, Chiapas, Distrito Federal, Estado de México, Guanajuato, Jalisco, Michoacán, Morelos, Puebla, Oaxaca, Querétaro, Tamaulipas and Yucatán).

As a part of this workshop, the State level stakeholders shared some of the actions contained on their Climate Change Programs. The session was closed with a practical exercise of identifying mitigation options, based on the state-level guide for the design of GHG mitigation programs.

The next steps, according to discussions with INE, could include:
- Design and implement a platform for communications and information interchanges.
- Develop a Guide to assist state governments' representatives in the identification and evaluation of GHG mitigation actions.
- Develop a Guide to design and implement MRV.

- **Task 3:**

STRENGTHENING OF FINANCIAL INSTITUTIONS AND ENERGY EFFICIENCY AND RENEWABLE ENERGY MARKETS IN MÉXICO WORKSHOP. This workshop was designed to support Mexican commercial banks, manufacturers of equipment and consulting firms in order to strengthen the financing mechanisms for greater implementation of energy efficiency and renewable energy projects in México. The workshop also helped to jointly identify lines of action to initiate a process of analysis and integration of the desired financing strategy. 40 participants attended 36 men and 4 women, representatives from the financial and private sector, as well as universities and manufacturers' representatives.
As part of the conclusions and recommendations expressed by participants of this workshop, the following topics are among the most relevant:

- Creation of the network for the promotion of clean energy projects;
- Development of a methodology on verification and validation of the creditworthiness;
- Build and drive new regulatory, economic and fiscal incentives for clean energy projects;
- Development of technical guides and administrative handbooks for the development of clean energy projects;
- Promote certification mechanisms for clean energy projects;
- Identification and promotion of guarantee mechanisms;
- Capacity building programs on monitoring, reporting and verification (MRV);
- Development mechanisms for partial and technical credit guarantees;
- Partnerships between equipment manufacturers and financial institutions;

TOWARDS THE DEVELOPMENT OF LOW CARBON COMPREHENSIVE PLANS FOR SUSTAINABLE URBAN MOBILITY (PIMUS) WORKSHOP. This workshop was organized by the Center for Sustainable

Transport (CTS EMBARQ) with co-funding from MLED/USAID. There were a total of 21 participants (15 men, 6 women), The objective was to build capacity among Mexican city and state-level planning and transport departments for preparing and approving Integrated Sustainable Urban Mobility Plans (PIMUS) that address low carbon transport strategies and can be used to apply for transit funding under the Transportation Program of the Federal Government (PROTRAM).
Three regions appeared to have potential for MLED follow up to support incorporating rigorous GHG mitigation and co-benefit analysis into the development and selection of alternatives. The next steps will include:

- Contact one or more selected city/state agency to determine feasibility/interest in Low Emissions planning.
- Assist them in drafting proposal to MLEDs for incorporating GHG into Terms of Reference for PIMUS development.
- Discuss potential of integrated transport infrastructure with Ministries of Environment and Transport.

The workshop allowed CTS EMBARQ Mexico and CCAP to identify four cities with whom it might be possible to work and help them develop their PIMUS with the inclusion of a low carbon component.
As part of the next activities that could be undertaken with each of the cities as a follow up to the workshop, the following are the most relevant ones:

- Colima: Review of its initial diagnosis and emission inventory to assess whether low carbon elements could still be introduced in their plan. Pilot activities supporting the other three cities could serve as a model for the city of Colima.
- San Luis Potosi: Review of its initial diagnosis to assess whether low carbon elements could still be introduced in their plan and help them with a framing exercise.
- Oaxaca, Puebla and Juarez City: These are the main cities where the low carbon component might be added in their PIMUS, since these cities are in the early stage of their PIMUS development. As a next step CCAP and CTS EMBARQ Mexico could analyze actual terms of reference to suggest where and how the evaluation of GHG mitigation could be added as part of their PIMUS.

POTENTIAL TO ENHANCE INSTITUTIONAL AND TECHNICAL CAPACITIES OF THE STATE OF OAXACA. The MLED Program planned and carried out a field trip to the Isthmus of Tehuantepec in the State of Oaxaca on June 18-20. The purpose was to visit wind energy projects and to provide the USAID/México Mission Director and the MLED COR a better understanding of past USAID-funded projects on wind development (i.e. production of the state wind atlas, a feasibility study for the CFE´s wind farm and a study to support local communities for the leasing of their lands), and identify possible new activities in this area. During this field trip, the Task 3 Team and the USAID/México Mission officials met with representatives from the government of Oaxaca and discussed opportunities to strengthen the State of Oaxaca´s institutional and technical capabilities related to clean energy and the State Climate Change Action Plan (PEACC). The MLED Team received two specific requests for assistance from the Government of Oaxaca:

- Provide technical support to the State Government of Oaxaca through the MLED Program participation in its environmental cabinet, mainly to help coordinate efforts in the PEACC.
- Support the State Secretariat of Tourism and Economic Development to better monitor renewable sector investments and to strengthen the relationship between developers and local communities.

Development and implementation of models, systems, methodologies, and key tools for LEDS, MRV, clean energy, and financial mechanisms for investments in clean energy. (PMP Indicator 4.8.2-8). Unit: Number of tools, etc. (cumulative)

- **Task 1:**

REVIEW OF A GENERAL EQUILIBRIUM DYNAMIC MODEL FOR THE ECONOMIC ANALYSIS OF THE LEDS. Theoretical and technical review of the General Equilibrium Dynamic Model used to assess the economic impacts of the LEDS elements developed so far, and its results. A document with the full review, recommendations and suggestions for the next actions was produced as a result of this activity. Next steps: Assess the possibility and convenience of improving the existing model, or develop a new one to improve the economic analysis tools to perform the assessment of the LEDS.

UPDATE THE GREENHOUSE GAS EMISSIONS BASELINE. Review and update of the current GHG emissions baseline with the Long Range Energy Alternatives Planning System platform (LEAP).

The progress during the reported period include a main review of the current emissions baseline, its methodology, and the data used to build it: To do this, the team held several working meetings with the principal stakeholders[1] to discuss the main assumptions and methodologies, and the data gathering techniques used to fill gaps and to update the old data contained in the original GHG emissions baseline.

The Next steps are to continue improving the data and assumptions made to obtain better results and reduce uncertainty, so that we can produce a final version of the GHG emissions baseline to be submitted to INECC. Afterwards, this submission will be discussed and validated with different government agencies through the Intersecretarial Commission on Climate Change (Comisión Intersecretarial de Cambio Climático CICC) and to private sector associations. All comments and corrections gathered during this "consultation period" will be incorporated to the baseline in order to produce the final deliverable to INECC, which includes a capacity building workshop focused specifically on transferring of knowhow for any further correction and/or update they may be required in the future.

SURVEY OF THE PROGRESS OF MEXICAN STATES ON THE CONSTRUCTION OF THEIR "PEACS". The main outcome of this study was the construction of a survey of the state of progress each Mexican State has on the construction of their State Climate Change Action Plans" (PEACS). Next step: Publish the document on the webpage of the National Institute of Ecology.

- **Task 2:**

NAMAs REGISTRY TOOL. MLED Program supported SEMARNAT to develop a systematic registration and control of the NAMAs that are being developed in México. This database is currently in the implementation phase. With this tool the Mexican Government can present the NAMAs in order to find financing for their implementation. Next steps:

- Support the tool's implementation.
- Review the content of the registry.
- Adjust the tool according to SEMARNAT's needs.
- Support the evaluation of the proposed NAMAs to be included in the registry.

DOCUMENT: THE STATUS OF MRV SYSTEMS AT INTERNATIONAL LEVEL: LESSONS FOR THE IMPLEMENTATION OF NAMAS AND LEDS. This paper clarify the essential components of MRV, discuss past practice and recent trends in MRV, discuss how MRV systems have been used in carbon finance

[1] The principal stakeholder are the INE (now INECC), the Stockholm Environmental Institute (SEI), The Energy Research Center – UNAM (CER), Several Sectorial Experts (mainly in Energy, Oil and Gas, Forestry, Industries), Several Federal Government Emissions Experts (other agencies besides INECC) for the different sectors (mainly Energy-SENER, Oil&Gas-Sener and Pemex),

regimes and how they are being incorporated into the currently widespread instruments, such as Low Emission Development Strategies (LEDS), also referred to as Low Carbon Growth Strategies, and Nationally Appropriate Mitigation Actions (NAMAs). The report highlights several key countries' experiences in instituting MRV and note critical lessons for maintaining effective MRV systems in México. Next Steps:

- Send the document to government agencies and private institutions involved in the development of MLED and NAMAs.
- Upload the document to the MLED website.
- Use the document for the preparation of MRV System for Mexico.
- Use the document for training.

MEASUREMENT AND MONITORING OF GHG MITIGATION TARGETS OF MÉXICO CITY CLIMATE CHANGE ACTION PLAN (PACCM). As a result of the work with the Ministry of Environment and with the Climate Change Department of the Government of México City (GDF), and to promote communication between it and the SEMARNAT; GDF currently performs, with the federal government's budget, the development of PACCs monitoring system, based on the same platform of PECCs Monitoring System (SIAT-PECC). The system will be implemented, in its first stage, on November 2012. Next steps:

- Support during the implementation of the System.
- Replicate the development and implementation of similar systems in other states.

- **Task 3:**

SIGNATURE OF A LETTER OF INTENT WITH WATER CAPITAL TO IMPLEMENT THE FIRST USAID/DEVELOPMENT CREDIT AUTHORITY GUARANTEE SCHEME IN MÉXICO. MLED reached a preliminary agreement with several key stakeholders in the Mexican financial system to analyze the Development Credit Authority's (DCA) partial guarantee schemes for loans of local commercial banks. This agreement led to the signature of a Letter of Intent (LOI) with Water Capital to implement the first DCA guarantee scheme in México. The total amount of this agreement is being discussed between the two institutions and once the LOI has been signed, it will be announced.

CEMENT NAMA Center for Clean Air Policy (CCAP) worked with the National Cement Chamber (Cámara Nacional del Cemento, CANACEM in Spanish) and the Ministry of Environment and Natural Resources (SEMARNAT), in the agreement of a Letter of Intention oriented to state the voluntary and non-binding agreement of the companies conforming CANACEM to reduce their Greenhouse Gas emissions.

The letter of intention has been signed by CANACEM and the Under-Ministry of Planning and Environmental Policy, and is expected to be signed by the Ministry.

INCLUSION OF OBLIGATORY SOLAR WATER HEATING SYSTEMS IN MEXICO CITY'S LEGAL FRAMEWORK. MLED provided technical assistance to Environment Secretary of Mexico City Government (Secretaría de Medio Ambiente SMA) basically in two aspects: legal and technical advice to make mandatory the installation of solar water heating systems.
Legal analysis of Urban Development and Housing Law was conducted to identify the basis to include the solar topic into this act. Next step: Improve the level of participation of consultants in the Work Group and with the SMA to work closely and explain the technical assistance provided.

COMPREHENSIVE WASTE MANAGEMENT PLAN FOR CEDA. Originally, this project was focused on organic waste compost for Mexico City's Central Supplies Market (CEDA), however, the SMA was interested in the universe of waste generated by this big market. Detailed field measurements were performed, and summarized in a report describing the current situation of the waste generated in CEDA as well as the origin, logistics, management, destiny and causes of contamination among different type of wastes. MLED also carried out and documented research on technologies for composting the waste that is generated in major quantities in CEDA. Next step: MLED will present preliminary results from the assessment SMA and CEDA.

YOUTH CAPACITY BUILDING ON RENEWABLE ENERGY TECHNOLOGY PROGRAM, CIUDAD JUÁREZ. Strategies and partnerships needed are developed to take advantage of local resources and lessons learned from other institutions as well as identifying future leaders of micro renewable energy technology that must be set for the following fiscal year. Next step: Monitoring the activities of the NGOs to take place this year, and potential meetings with other organizations.

STEAM GENERATION AND DISTRIBUTION SYSTEMS EFFICIENCY IMPROVEMENT. The Task 3 Team worked in conjunction with the National Commission for Efficient Use of Energy (Comisión Nacional para el uso Eficiente de Energía CONUEE in Spanish), to develop support material for the presentation, dissemination and promotion of the Steam Generation and Distribution Systems Improvement project, and the agreement between CONUEE and industrial chambers and industry associations, an executive project presentation, letters of interest from companies interested in participating, questionnaire for collecting information to submit to the selection process.
This project includes an estimate of GHG mitigation potential through the implementation of thermal energy efficiency projects. The MLED Program provided technical assistance for the development of CONUEE's plan activities, and the corresponding time schedule for the steam efficiency project.
Task 3 Team also established the communication links with the Industry Chambers Confederation (Confederación de Cámaras Industriales CONCAMIN in Spanish) and the Commission of Private Sector Studies for Sustainable Development (Comisión de Estudios del Sector Privado para el Desarrollo Sustentable CESPEDES in Spanish), in order to expand the actors involved in the promotion and dissemination of the project. All of this preparatory work means that the project is ready for implementation at the beginning of FY 2013. Next step: Initiate the energy audits, with the companies that sent their letter of interest to participate in the project.

STRENGTHENING THE APF ENERGY EFFICIENCY PROTOCOL. The protocol for public buildings and installations should be a key element of federal energy efficiency implementation. MLED participated in a series of meetings with CONUEE officials and staff, which made it possible to detect the problems faced by the Commission to perform efficiently and effectively the activities required by the Protocol. The administrative and regulatory framework has been reviewed in order to identify potential areas for improvement. One area identified for improvement is the development of a software system that allows CONUEE officials to carry out their activities in a more efficient way.

SUPPORT FOR PEMEX EMISSIONS INVENTORY AND BASELINE DEVELOPMENT. MLED staff worked closely with PEMEX Corporate Planning and Corporate Environmental Protection departments to develop a coherent and integrated baseline emissions inventory covering both carbon dioxide and methane emissions. This work was based on PEMEX's own environmental management database, which holds a complete listing of all equipment and components, to which MLED applied appropriate emissions factors (from USEPA, American Petroleum Institute, IPCC, and PEMEX's own measurements). The result is a spreadsheet tool that covers all emissions for both upstream and downstream petroleum, and the first detailed emissions baseline developed for PEMEX. PEMEX will provide this information to INECC as input to the overall national baseline and the identification of mitigation measures as part of the LEDS.

Reduction of GHG Emissions (metric tons). (PMP Indicator 4.8.2-25). Unit: Tons of CO_2e

- **Task 3:**

Although this report does not include quantification of GHG emission reductions due to the fact that projects with this outcome have not yet been implemented, the technical assistance being provided to CRE for the implementation of the **"Program of Collaboration for the Development of Renewable Energy Auctions for Small Producers"** has a large potential of CO_2e reductions. Further analysis and definition of this potential is being performed along with CRE.

ACTIVITIES PLANNED DURING THE PERIOD

TASK 1:

Integration of LEDS Guidelines.

- Macroeconomic analysis strengthening of the current mitigation portfolio
- Construction of the LEDS document first draft.
- First draft communication and consultation with experts.
- Integration and edition of the final LEDS Guidelines Document presented at Rio+20/G20 in the form of power point slides and released publically on the event of November 12th.

Technical-Economic Analysis.

- Review of emissions baseline and future emissions scenarios.
- Information review, update and construction of the new mitigation measures project portfolio.
- Cost-benefit analysis of measures being studied and update of México's cost abatement curve.
- Workshop and capacity building exercises for GOM personnel on baselines, cost-benefit analysis and cost curve construction.
- Workshop on analysis and selection of economic models, and capacity building on the subject.

Legal Analysis.

- Support the coordination and monitoring of the design of LEDS.
- Analysis of the legal, regulatory and institutional frameworks to promote the implementation of LEDS (Analysis and development of proposals of legal, regulatory and institutional framework).
- Analysis of public policy instruments to promote the implementation of LEDS (Design of actions and implementation tools).
- Training and dissemination of the LEDS as a subject to Presidential candidates and other political offices.
- Create opportunities and events to involve all the process stakeholders.
- Analysis of the social impact of the LEDS.

State Governments PEACC support.

- Analyze financing mechanisms that contribute to the implementation of the LEDS-PEACC.
- Create a budget analysis methodology to assist the implementation of LEDS-PEACC.

TASK 2:

Development of an MRV System for GHG Inventories and National Communications.

- Research alternatives in the integration or collation of state GHG emissions inventories with national GHG emissions inventories.
- Analyze the participation of different agencies involved in the process of compiling and registering GHG inventory and mitigation related information and options for its strengthening.

Implement an MRV awareness program.

- Courses and workshops aimed at GOM agencies at the federal and state level.
- Seminars and workshops aimed at the private sector.
- Courses for training of trainers.
- Classroom and distance training programs through universities.

Develop an MRV System for the LEDS and for NAMAs.

- Review of applicable methodologies for calculation of the mitigation achieved thorough the actions proposed as part of the low emission development strategy.
- Identification of mitigation actions that need a methodology.
- Review and adjustments to the SIAT-PECC, the system used by SEMARNAT to monitor the action and mitigation goals included in the Special Program of Climate Change.

Capacity Building for MRV Services.

- Strategy to promote the accreditation of validators and verifiers of GHG emissions and mitigation project inventories.
- Develop a procedure for the accreditation of organizations who calculate the carbon footprint of products and services.
- Develop a procedure for the accreditation of organizations that carry out energy audits.

TASK 3:

Develop a comprehensive MLED Clean Energy (CE) projects inventory.

- Analyze sources of information available from key partners.
- Develop criteria according to MLED program requirements.
- Enrich the information in this project database.

Conduct a gap analysis on renewable energy and energy efficiency policy.

- Develop an analysis of barriers and areas of opportunity.
- Consult efforts by WWF and the Secretariat of Energy (SENER).
- Workshop among CE stakeholders.
- Prepare a Policy Monitoring Index.

Implement awareness programs.

- Develop a financial analysis overlay to the CE.
- Create awareness materials.
- Develop/adapt additional collateral financial mechanisms.
- Prepare and hold short workshops with financial institutions.

Provide pilot project transaction support to yield project completions.

- Energy efficiency audits/assessments.

Assist in developing key NAMAs.

- Work closely with the National Chamber of Cement (CANACEM) to develop a project.
- Work in collaboration with GIZ on SME NAMA.
- Review the work on NAMAs in México to date.

Conduct CE capacity building to strengthen federal, state and local policy and project proponents.

- Develop a plan and strategy for training courses, seminars and workshops.
- Implement the training plan, executing the planned training events.

Develop CE outreach programs to provide buy-in for CE policies and projects from the full range of stakeholders.

- Identify several policy issues.
- Review these proposals within the MLED team.
- Develop an outline of an implementation plan and execute the plan.

TASK 4:

Preparation of PMP and integrated PMP.

- Follow up and monitor USAID/México implementing partners.

Reporting.

- Weekly, Monthly, and Quarterly Reports.
- Required Reports for Earmarked Funds.

Branding and Communications.

- Promote MLED´s knowledge and technical support to México.
- To represent MLED´s work and activities in the development of México.
- Support for workshops, seminars, presentations, panels and meetings.

Grants Management.

- Promote grants applications, publicize grants program.
- Review applications, select and award grants; supervise start-up.
- Monitor, track and evaluate all disbursements of funds.
- Evaluate the effectiveness of grant funds.

PROBLEMS ENCOUNTERED & ACTIONS TAKEN TO RESOLVE THEM

FEDERAL GOVERNMENT TRANSITION. An important problem was the transition of the federal government. The first months of the year 2012, the electoral ban prevented the holding of public events with the government and also delayed decisions. Even after the elections, the government transition process caused uncertainty in determining actions. In the case of cooperation with state governments, there were frequent changes of officials and this calls into question the continuation of the arrangements reached, including the formalization of letters of agreement.

ROTATION OF GOVERNMENT OFFICIALS. The frequent rotation of government officials and lack of human resources with expertise in government counterparts involves a challenge to overcome in the dialogue for cooperation and in the definition and continuation of activities to develop. It has been tried to overcome this situation through the training and institutional strengthening activities, but the rotation of officials is still an important challenge to overcome.

POTENTIAL DUPLICATION OF EFFORTS. It has been detected that there were some areas or projects that presented a potential duplication of efforts between MLED and the activities of other bilateral cooperation agencies and multilateral organizations. Subsequent analysis, allowed identifying specific opportunities to overcome this issue. Two key actions were taken in order to avoid duplication: 1) increased cooperation in the design of projects and activities; and 2) increased coordination in the implementation of technical assistance with other donors.

LACK OF ORGANIZATIONS AND CONSULTANTS. The high level of expertise of consultants required for outsourced activities of the program has meant delay in the completion of planned activities, due to the search for suitable experts at suitable cost.

SECURITY ISSUES. An MLED Program Team faced some security concerns, which complicated the logistics in Ciudad Juarez' activities for *"Capacity Building in Renewable Energy"*. Timely arrangements of logistics prior to the field trip and precautions during local displacements were necessary with the aim of reducing possible risks. The selection of states to deliver MLED support might be affected by security concern.

ACTIVITY COORDINATION. Due to the fact that the different team leaders were located in different offices during project startup, we experienced difficulties in coordinating our activities. Once the office at Insurgentes Sur 826 was finally equipped and furnished, the MLED Program team began to work more adequately, with coordinated efforts, and with consensus on the activities to perform within each task.

IPMP AND USAID/MEXICO GCC REPORTS. Delays in obtaining the information from each USAID/México GCC Program implementing partner were overcome with joint coordination of CORs and COPs, and the Integrated PMP and semiannual and annual reports were delivered to USAID/México.

OBSERVATIONS REGARDING IMPLEMENTATION

During the first quarter of the MLED Program, the team focused on identifying CE projects not yet developed by other donors. To this regard, a significant aspect encountered in selecting the CE pilot projects was the active role that other donors (GIZ, the British and Danish Embassies, UNEP, Kfw, etc.) have had in the implementation of energy efficiency and renewable energy projects in México.

In order to overcome this challenge, the MLED team has been considering the following selection criteria for project support: the projects should be likely to be adopted by appropriate stakeholders (federal/subnational governments, domestic users, private industry, etc.); they should be feasible/bankable projects with high-impact on emissions reductions and politically feasible, they must be part of the GOM long-term LEDS strategy (under INE´s mandate); they might be considered best practices previously tested in other countries and not yet been widely adopted in México; and they may be candidates to be developed as a NAMA (through development of programs and policies), and leveraging additional funds.

The MLED program made some adjustments to the activities of its Task 1 Annual Work Plan. These adjustments were implemented in order to accomplish a more logical, coherent and manageable approach regarding INE's work plan. The modifications were delivered to the Contracting Officer Technical Representative for approval and they were included in the authorized Annual Work Plan.

During the first half of year 2012, México went through the electoral period, during which there was a ban on public promotional activities by the government. This period concluded with the national elections at the beginning of July, and began the period of transition to the new administration. The MLED Program is therefore confronted with the reality that many of its implementing partners are being careful with regard to political decisions, as there is little will to start activities that may conflict with the new administration's goals in each specific activity.

In this regard, the MLED Team is aware that some of its project activities may be slowed or even stopped until the new administration takes office, while some others will likely be altered in scope. Implementation efforts for these recent months have mostly been focused on activities that are politically neutral and those that our counterparts are interested in completing as part of the hand-over to the new administration.

GRANT ACTIVITY

The Grants Manual was approved on September 19, 2012.

The announcement for request of grants application is ready. The MLED website final information is pending to be uploaded. After this, the MLED Program will send a final announcement to USAID for approval, so the outreach and granting procedure can be started.

SUBCONTRACT ACTIVITY

Task 1

The MLED Program contracted the Stockholm Environment Institute for the project named "Elements for a Low Emissions Development Strategy in México", with the purpose of updating several elements like the GHG emissions baseline for México, and other information regarding the abatement project portfolio, and the basic cost-benefit analysis of these actions.

The MLED Program contracted the Civil Collaborations Center to organize and facilitate the MLED Program internal workshop to discuss and agree on the selection of the states where the MLED Program will work. The Center also worked on the state-by-state analysis of climate change-related policies and activities, which was fundamental to the MLED Program Team discussions at the Aug 1 workshop. This work included two facilitators and one researcher who did the analysis of the capacities at the local level.

Two consultants were hired from the Center for Research and Teaching on Economics (Centro de Investigación y Docencia Económicas – CIDE in Spanish) to carry out the activity entitled "Macroeconomic analysis: Strengthening of the current mitigation portfolio". This study was used for the integration of the first draft LEDS document by INE.

Task 2

Subcontracts with CCAP, MGM Innova, and WWF were negotiated and signed.

As part of activities developed in Task 2, the contract with Det Norske Veritas (DNV) was finalized, and is being implemented. MGM Innova and DNV worked in conjunction to perform the activities defined for the period.

Task 3

Under Task 3, implementation of contracts with local and international consultants (Consultoría y Servicios en Tecnología y Energías Eficientes - CySTE -, Ecoturismo y Nuevas Tecnologías - ENT - , and the Center for Clean Air Policy – CCAP -), are being developed on track and potential new activities are considered to be implemented. New independent specialists for specific short-term projects and activities have been identified by the Task 3 Team and relevant key products are expected from these new interventions. For example, a specialist on energy efficiency programs for steam generation and distribution systems and for the effective implementation of the Federal Public Administration project with CONUEE has been participating in reviewing and ensuring quality of works and reports. This specialist has an extensive experience in these two fields and will be a key element in dealing with future CONUEE and private sector activities.

Task 4

As specified in the contract, WWF, CCAP, MGM Innova, CySTE and DNV participated in the drafting of deliverables, such as: Performance Management Plan, Annual Work Plan and Environmental Management Plan.

TRAINING INFORMATION

DATE	EVENT	LOCATION	ATTENDANCE	MALE	FEMALE
April 17 to 19	Climate Change Economics Modeling Workshop	México City	48	36	12
May 8	Towards the Development of a Low Emissions Development Strategy in México Workshop	México City	70	45	25
June 14	Lessons Learned and Opportunities to Improve the States GHG Inventories Workshop	México City	39	25	14
June 15	Identification and Evaluation of GHG Mitigation Actions at State Level Workshop	México City	33	22	11
August 8-9	Towards the development of low carbon comprehensive plans for sustainable urban mobility (PIMUS)	México City	21	15	6
August 16	Strengthening of financial institutions and markets for energy efficiency and renewable energy in México	México City	34	27	7
TOTAL			**245**	**170**	**75**

ACTIVITIES PLANNED FOR THE COMING PERIOD

TASK 1:

Technical-Economic Analysis.

- Abatement scenario projections (mitigation routes prioritization)
- Technical, Legal and Economic implementation barriers of mitigation routes
- Climate Economics modeling of the transport sector
- Climate Economics modeling of the industry sector
- Climate Economics modeling of the forestry-agriculture sector (tentative)
- Inventory of Climate economic related models available in Mexico
- Guidelines for the construction and implementation of LEDS for States of the Mexican Republic
- Workshop on analysis and selection of economic models, and capacity building on the subject

Public Policy and Legal Framework Analysis.

- Support the federal government in the design of LEDS Institutional and Public Policy instruments.
- Support the implementation of the Climate Change Law: 3 Regulations.
- Disseminate information regarding the importance and relevance of the Low Emissions Development.
- Analysis of the social impacts of the LEDS.
- Legal analysis of the General Law of Climate Change in order to identify the regulations needs for Federal Government.

State Governments PEACC support.

- Analyze the financial mechanisms that help the development of LEDS at the state level, and can be used as an input to their PEACCs.
- Develop a methodology of budget analysis to help the states obtain funding for the implementation of their LEDS and PEACCs.
- Design and construction of the Guide for the integration of low emissions budgets for the states.
- Technical support to the Border Environment Cooperation Commission (Comisión de Cooperación Ecológica Fronteriza, COCEF in Spanish) and two northern states on their PEACC development process.

TASK 2:

Development of an MRV System for GHG Inventories and National Communications.

- Support the strengthening of the current procedures and systems for developing GHG inventories and National Communications.
- Analysis of the impact of mitigation actions to be implemented in México, as well as the integration of the state GHG emissions inventories.

Implement an MRV awareness program.

- Courses and workshops aimed at GOM agencies at the federal and state level.
- Seminars and workshops aimed at the private sector.
- Courses for training of trainers.

Develop an MRV System for the LEDS and for NAMAs.

- Develop MRV for the mitigation action included in the mitigation scenario prepared by Task 1, as part of the LEDS.
- Develop the MRV conceptual platform for México City's Climate Change Action Program (PACCM) and a system to monitor progress in GHG mitigation actions using the platform that SIAT-PECC implemented in SEMARNAT with the support of USAID.
- Develop a platform to implement systems to monitor progress in achieving PEACC mitigation goals.
- Develop a system to register and monitor the GHG inventories and mitigation form the companies and institutions in the Greenhouse Gases Program (Programa GEI in Spanish).
- Develop a prototype MRV system for NAMAs.

Capacity Building for MRV Services.

- Develop a strategy to strengthen verifying capacity through the increased availability of verifiers, to support the process established in the Climate Change Law.
- Implement a theoretical and practical training program to carry out inventories, carbon footprint calculations and energy audits in ample companies.

TASK 3:

Implement Awareness Programs for Financial Institutions and Industries, and Support Project Implementation Efforts.

- Develop a financial analysis overlay to the CE Project Database.
- Create awareness materials, including case studies, success stories, procedures, etc. in support of financing CE projects.
- Develop/adapt additional collateral financial mechanisms; Support the expansion of DCA efforts in Mexican financial institutions.

Provide Pilot Project, Feasibility Analysis and Transaction Support to Implement Projects.

- Studies for the promotion of regulatory instruments.
- Feasibility studies to support start-up of renewable energy projects.
- Energy assessments in various productive sectors and at the state and municipal level.
- Economic studies to promote new clean energy markets or to establish the enabling environment for better contract conditions of energy service companies (ESCOs).
- Comprehensive assessments of renewable energy resources and potential for energy efficiency development.

Assist in Developing Key NAMAs to Help Organize and Coalesce CE.

- Work closely with the National Cement Chamber (CANACEM).
- Work in collaboration with local stakeholders.
- Develop a NAMA on pumping systems for agricultural irrigation.
- Develop a NAMA on the Pulp and Paper industry.
- Develop a NAMA on the PYMES.

Conduct CE capacity building to strengthen federal, state and local policy and project proponents.

- Implement the training plan, executing the planned training events.

Develop CE outreach programs to provide buy-in for CE policies and projects from the full range of stakeholders.

- Identify several policy issues.
- Review these proposals within the MLED team.
- Develop an outline of an implementation plan.
- Begin execution of the plan.

TASK 4:

Understand and report, both internally and externally, on USAID mission programs at a level of detail appropriate to contract requirements.

- MLED Program Reports.
- Semi-annual Performance Assessment.
- Semi- Annual and Annual Reporting of the Integrated Climate Change Programs.

Project Outreach and Communications.

- MLED outreach and communications materials.
- MLED Social Media Planning.
- MLED Public Relations promotion.

Grants Management.

- Review, evaluation and selection of grants proposals.
- Negotiation Memorandum.
- Grants implementation.